BOYUAN

Quarterly Report (Restated and Amended)

Quarter 3

For the Interim Period ended March 31, 2015

BOYUAN CONSTRUCTION GROUP, INC.

Restated Management's Discussion and Analysis

For the nine months ended March 31, 2015

December 11, 2015

This restated Management's Discussion and Analysis ("**MD&A**") relates to the results of operations and the financial condition of Boyuan Construction Group, Inc. (the "**Company**") for the nine months ended March 31, 2015. This MD&A should be read in conjunction with the restated unaudited condensed interim consolidated financial statements of the Company for the nine months ended March 31, 2015 and notes thereto. The United States dollars is the Company's reporting currency and all figures herein are in United States dollars unless otherwise indicated. Boyuan reported its financial results in accordance with International Financial Reporting Standards (IFRS), as required for public companies in Canada. Details of the restaement are provided in Note 2 to the restated unaudited condensed interim financial statements for the six months ended March 31, 2015 and 2014. Additional information about Boyuan including the Company's Annual Information Form and other filings are available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to, management's belief in the level of credit risk arising from the Company's customers, management's view on the gradual stabilization of the current depressed property market in China, management's expectation on the effectiveness of the Company's disclosure controls and internal controls, management's plan to implement independent consultant's recommendations on internal controls and the plan to engage the consultant to perform an updated review on the internal control system, the Company's outlook on China's ongoing expansion of middle class and the growth of China's tier-2 cities and on the continued demand for the Company's services, the Company's plan to increase focus on specialty construction projects, the Company's expectation of higher profit margins for the specialty construction projects, and the Company's plan to upgrade its construction licences and qualifications. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risk of the current depressed property market in China, risk of macro-economy cycle, risk from competition, risk from insufficient marketing to secure new projects, risk in obtaining additional financing, risk involving permits and licenses, reliance on key management member, risk from supply of raw materials, risk of financial leverage, risk of bad debts in accounts receivables, risk involved in real estate development, foreign exchange fluctuations, political and economic conditions in China and other risks included in the Company's Annual Information Form for FY2014 and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available at www.sedar.com. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Explanatory Note Regarding the Restatement of Previously Issued unaudited Condensed Interim Consolidated Financial Statements

We have restated our unaudited condensed interim consolidated statement of financial position at March 31, 2015, and our unaudited condensed interim consolidated statements of comprehensive income, unaudited condensed interim consolidated statement of cash flows and unaudited condensed interim consolidated statements of changes in equity for the nine months ended March 31, 2015 and 2014. Further information on these adjustments and a reconciliation of amounts previously reported are contained in Note 2(a) to the restated unaudited condensed interim consolidated financial statements. The financial information and other affected information presented in this restated MD&A, including financial information pertaining to selected quarterly data have been restated to give effect to the restatement.

The Company has reviewed the classification of accounts receivable and unbilled revenue as current and non-current assets on a project-by-project basis. Payments expected to be received within 12 months from the end of the reporting period are classified as current assets. While payments expected to be received after 12 months from the end of the reporting period are reclassified as non-current assets and time-value of money is being considered and adjusted for the imputed interest based on the estimated timing of collection of those non-current portion made by management. When making the estimation, management performed the detailed analysis on a project-by-project basis, by considering the current construction progress of the relevant project, past repayment history and creditability of the customer. The non-current portion is then discounted to its present value based on the applicable discount rate.

The Company engaged an independent valuator to assess the fair value of the liability and equity components of modified convertible debentures as at the date of approval of modification, which are substantially different with the amounts previously recognized by the Company.

The Company has updated the disclosure presented in the restated unaudited condensed interim consolidated financial statements and this restated MD&A to reflect events occurring subsequent to the original filing. However, the Company has not amended and does not intend to amend the interim filings made in 2014 or prior years. Restated balances for interim periods will be presented as comparatives in future filings where appropriate. Accordingly, this restated MD&A should be read in conjunction with the Company’s filings that have been filed on or after November 27, 2015.

OVERVIEW OF BUSINESS

Based in Jiaxing City, China, Boyuan Construction Group, Inc. is in the business of residential and commercial building construction, municipal infrastructure and engineering projects. The Company operates as a general contractor in China. Having a national class I construction qualification, the Company is qualified to participate in construction projects up to 40 storeys with a gross construction area of 200,000 square meters and with a contract value of less than five times of the registered capital of Zhejiang Boyuan Construction Co., Ltd., the operating entity in China.

The Company has completed 45 material projects in the past three fiscal years. Currently the Company has a significant project backlog including residential, commercial, industrial, and hotels. The duration of these projects ranges from one to three years. The majority of these projects are located in the Yangtze River Delta, Shandong Province, and Hainan Island.

The Company's common shares are publicly traded on the Toronto Stock Exchange (the "**Exchange**" or the "**TSX**") under the symbol "BOY". The Company's 10% unsecured convertible debentures due October 31, 2015 (the "**Unsecured Debentures**") are traded on the Exchange under the symbol "BOY.DB.A".

Significant Accounting Policies

Special Purpose Entity Agreements

The Company through its subsidiary entity effectively takes on all the rights and privileges of beneficial ownership of Zhejiang Boyuan Construction Co., Ltd. ("Zhejiang") via four agreements entered into between the subsidiary entity and Zhejiang. The Company consolidates the accounts of Zhejiang in accordance with IFRS 10 *Consolidated Financial Statements*. The financial positions and the related results of operations, changes in equity and cash flow are therefore consolidated under the Company.

Recognition of revenue

Construction revenue includes the initial amount agreed in the contract plus any variations in construction work and changes, to the extent that it is probable that it will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss using the percentage of completion method. The percentage of completion is assessed by reference to the proportion of the actual costs incurred to date compared to the estimated total costs at the end of each reporting period for each contract. Revenue and contract cost estimates are revised on an ongoing basis based on changes in price and in the scope of each contract. Any changes made to the contract scope are reflected in the percentage of completion of applicable contracts in the same period as the change in estimate occurs.

Cash received in advance of revenue being recognized on contracts is classified as deferred or unearned revenue. Costs incurred and estimated profits on contracts in progress in excess of amounts billed are reflected as unbilled revenues.

Costs of construction are recognized as expenses as incurred. Costs of construction include costs that relate directly to a specific contract such as all raw materials, direct labour, subcontractors and other costs and indirect costs related to contract performance, such as indirect salaries and wages and equipment repairs. In addition costs those are attributable to contract activity and can be charged to the contract under the agreed terms of the contract and are included in costs of construction. Contract costs exclude general administration costs, selling costs, research and development costs and depreciation of equipment not used on a project.

The Company generally provides a one to five year warranty for workmanship under its contracts. Warranty cost provisions are based on management's best estimates of such costs and are charged to project costs as they are incurred, taking into account the specific arrangements of the contracts and past history. Warranty claims historically have been nominal.

Critical Accounting Estimates and Judgments

Estimates

The preparation of these restated unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about estimates in applying accounting policies that have the most significant effect on the amounts recognized in the restated unaudited condensed interim consolidated financial statements include estimation of the allowance for doubtful accounts, determination of the useful life of property and equipment, measurement of provisions and measurement of share-based payments.

Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the restated unaudited condensed interim consolidated financial statements are revenue recognition and allowance for doubtful accounts .

Construction revenue, construction costs, deferred contract revenue, and costs and unbilled revenue include amounts derived using the percentage of completion method applied to construction contracts. Percentage of completion is calculated based on the costs incurred on each construction contract at the end of the respective accounting period divided by the total estimated costs for the contract and then multiplied by the estimated construction revenue expected to be received. To determine the estimated costs to complete the construction contract and revenues, judgment, assumptions and estimates are required to evaluate issues related to the schedule, material and labour costs, labour productivity, changes in contract scope, subcontractor costs and others. Due to the nature of construction, estimates may change significantly from one accounting period to the next.

The value of construction contracts usually increases over the duration of the construction period. Change orders may be issued by our customers to modify the original contract scope of work or conditions. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Company to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Under certain circumstances, the determination of the Company’s level of control over its subsidiaries and special purpose entity requires application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity’s board of directors, legal enforceability of agreements between China Privco, Zhejiang and the shareholders of Zhejiang and various other factors.

Allowances for accounts receivable may require an assessment and estimate of the credit worthiness of the client and the timing of collections. Judgment and assumptions are required to determine when an amount may be deemed uncollectible. The outcomes can differ significantly from the estimates used in preparing the financial statements resulting in required adjustments to expenses and assets.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information has been derived from the Company's restated unaudited condensed interim consolidated financial statements for the three and nine months ended March 31, 2015 and March 31, 2014 and our financial positions as at March 31, 2015 and June 30, 2014.

US$'000 (except earnings per share amounts)	For the three months ended March 31 2015	For the three months ended March 31 2014	For the nine months ended March 31 2015	For the nine months ended March 31 2014
Operating Results				
Construction revenue	90,014	63,960	229,080	169,754
Cost of construction	77,762	53,496	201,849	148,256
Gross profit	12,251	10,464	27,231	21,498
Net income	7,525	5,885	12,881	8,747
Earnings per share				
Basic	0.30	0.23	0.51	0.34
Diluted	0.25	0.21	0.45	0.32
Financial Position	As at March 31, 2015	As at June 30, 2014		
Current assets	186,714	140,663		
Non-current assets	59,756	54,261		

Total assets	246,470	194,924		
Current liabilities	132,880	92,613		
Long term liabilities	6,438	16,075		
Shareholders' equity	107,152	86,236		
Cash dividend per share	Nil	Nil		
Common shares outstanding	25,420,065	25,420,065		

RESULTS OF OPERATIONS

Revenue for the third quarter ended March 31, 2015 was $90.0 million, an increase of $26.1 million or 40.8% from the corresponding period last year. Revenue for the first nine months of FY2015 was $229.1 million, an increase of $59.3 million or 34.9% for the same period of FY2014. The measures introduced by the Chinese central government a few years ago to cool down the real estate market have had a negative impact on our business activities resulting in slower growth in revenue and a smaller gross margin in FY 2012 and FY2013. The Company was also more selective in taking up new construction projects under the uncertain economic environment. However, with the real estate market seemingly more stabilized and with the full repayment of the secured debentures last year, the Company has been more aggressive in taking on new projects in the past year. New projects taken up in FY2014 amounted to $367million. Most of the Company's projects have duration between 1 to 3 years.

The increase in revenue in the period was mainly driven by the following projects that have been completed in previous years but the completion reports were signed in this period. The revenue recorded in this quarter represented the portion of the final contract value agreed that have exceeded the revenue that have already been recorded:

	Project	Revenue in Q3 FY2015 (M)	Completion
1.	A residential project in Sanya Hainan	19.3	100%

2.	A residential project in Sanya Hainan	5.9	100%

Cost of construction for Q3 FY2015 was $77.8 million, up 45.4% from $53.5 million for Q3 FY2014. Cost of construction for the first nine months of FY2015 was $201.8 million, an increase of 36.1% from $148.3 million for the corresponding period in FY2014. Cost of construction includes all direct material, labor, subcontract and other related costs, such as equipment repairs. The two major components of the cost of construction are direct material and labour costs. Direct material costs were $52.6 million and labor costs were $23.1 million in this quarter. In comparison, direct material costs and labor costs were $40.2 million and $12.9 million respectively in the same quarter last year. The increase in costs is consistent with the increase in revenue.

Gross profit for Q3 FY2015 was $12.3 million, which represented a margin of 13.6% on revenue. Gross profit for the corresponding period of last year was $10.5 million, which represented a margin of 16.3% on revenue. We have experienced a slight downward pressure on our margins under the current real estate market situation in China. Developers are becoming more price sensitive and have longer development cycles thus eroding some of our normal margins. Historically, Boyuan's gross profit margins have been in the range of 15% to 17%. On a nine-month basis, gross profit for FY2015 was $27.2 million, which represented a margin of 11.8% on revenue. In the same period of FY2014, gross profit and gross margins were $21.5 million and 12.7%, respectively.

G&A expenses were $1.29 million this quarter compared to $1.20 million in the same quarter last year. G&A expenses for the nine months period ended March 31, 2015 were $3.80 million, representing a decrease of $0.02 million in the same period last year. The G&A expenses have been fairly stable for this quarter and the current nine months period compared to the same period last year.

Interest and other income was $0.9 million in this quarter, compared to $0.8 million in the same period last year. Accretion income from the discount on non-current accounts receivable and unbilled revenue of $0.8 million and $0.7 million was recorded to interest and other income for the periods ended March 31, 2015 and 2014 respectively.

Interest expense for Q3 FY2015 was $1.5 million, a decrease of $0.4 million from the same period last year. On a year-to-date basis, interest expense for FY2015 was $5.2 million, down from $5.5 million for FY2014. The decrease was mainly due to a decrease in interest paid on receivables discounting and the decrease in general interest rates in PRC. The Company has discounted less receivable in the period as a result of improved cash position of the Company.

During the period, the debenture holders approved a modification to the terms of the convertible debentures that were due on October 31, 2015. The modification was considered an extinguishment of the existing convertible debenture and the recognition of a new convertible debenture, as the modified terms were substantially different from the original terms.. As a result of the extinguishment and issue costs, the Company recorded a gain on extinguishment of debt of $0.2 million.

After-tax net income for Q3 FY2015 was $7.5 million, or $0.25 per fully diluted share, compared to net income of $5.9 million, or $0.21 per fully diluted share, for Q3 FY2014. On a nine-month basis, net income for FY2015 was $12.9 million or $0.45 per share fully diluted. This compares to a net income of $8.7 million, or $0.32 per share fully diluted, for the same period of FY2014. The increase in net income was a result of increase revenue in the period.

The Company had working capital of $53.8 million, including cash and cash equivalents of $3.6 million for the period ended March 31, 2015. This compares to $48.1 million and $4.5 million, respectively, at June 30, 2014. The increase in working capital is due to the contribution of net earnings and improved working capital management.

TRANSACTIONS WITH RELATED PARTIES

	March 31, 2015 (unaudited)$	June 30, 2014 (audited)$
Due from related parties		
Due from company controlled by the Chairman and Chief Executive Officer ("CEO")	61,166	60,236

As at March 31, 2015, the Company advanced project funds totaling $2,487,758 (June 30, 2014 - $2,475,634) to project managers who are related by family to the CEO. The amounts are included in Note 6 in the restated unaudited condensed interim consolidated financial statements. The amounts due from or due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

The Company advances money to suppliers and project managers in order to secure construction materials and pay suppliers. The advances to the project managers are held in bank accounts in trust for the Company. As the funds advanced to project managers are held in trust there is a risk that they may be used in an unintended manner. Management has put controls to minimize the risks associated with these advances.

The use of personal bank accounts in local jurisdictions is solely for operation efficiency. Under the banking regulations in China, there are two main types of bank account; Basic account and General account. Basic account can be used for transfers to companies and individuals (i.e personal account) as well as cash deposits and cash withdrawals. General accounts are used for banking transactions other than those in the basic account. Company to personal bank transfers are not allowed in the General account. Companies are allowed to open only ONE basic account but unlimited general accounts. The Company needs to transact certain business activities through the basic bank account. For example, local projects need to purchase certain raw material from local suppliers, especially the smaller items such as sand, bricks etc, and these suppliers are mostly unincorporated suppliers, the Company has to make payments to their personal bank accounts or by cash. Local construction workers also need to be paid through their personal bank accounts or by cash as well. All these payments can only be made through the basic account (i.e payments made to personal accounts). Since the Company can open only ONE basic account and this account is opened at the head office, the Company has to use the basic bank accounts of the local project managers (bank account in trust) to transact these business activities. It would not be practical to use the Company's basic account in the head office to transact these transfers due to the number of ongoing construction projects in various locations and the number of transfers required on a daily basis.

Construction work is normally carried out 7 days a week as the Company uses a shift system for construction workers. As such the Company at times needs to make certain purchases on weekends, though the amount of purchase is typically smaller.

The Company has put in place the following alternative control procedures since September 2014 to address the fund safety issues identified by the Consultant:

i. The bank account in trust held by the project managers can only be used for project related expenditures. It is controlled by the local finance department. The local finance department is the custodian of the bank card without which one cannot make any cash outlays from the bank account. In addition, all cash outlays from the bank account are also reviewed on a monthly basis by the head office finance team.

ii. The bank card for the bank account in trust is held by the local finance department. Cash outlays from this account have to go through the normal expenditures approval and authorization procedures controlled by the local finance department. The relevant user in the project team has to complete and submit a requisition form along with the supporting document to the local finance department. The local finance department will check all supporting document to make sure they are in order and sign off by the local finance manager. The finance team will then submit all information to the project manager for final approval.

iii. Monthly bank reconciliations are done by staff in the head office finance department and reviewed by the finance manager.

iv. More detailed planning of expenditures is done to minimize the amount required to be held in the bank account in trust, especially towards the end of the construction period.

In addition, the central government in China is currently reforming the sales taxes system for construction companies. Under the current system, construction companies can pay to personal bank accounts of their suppliers as long as proper invoices are issued. Under the proposed system, construction companies can only pay to the bank accounts of the invoice issuing entities therefore eliminating the practice of paying to the personal bank accounts in future. It is expected the proposed new system will take full effect before the end of next year

Transactions with key management personnel

The Company incurred wages and benefits to the following key management personnel:

	Nine Months Ended	
	March 31, 2015	March 31, 2014
	(Unaudited)	(Unaudited)
	$	$
Salaries and benefits	244,006	375,863
Share-based compensation	210,480	33,659
Total	454,486	409,522

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of our selected quarterly financial information for each of the eight quarters ended March 31, 2015:

US$'000 (except EPS amounts)	Revenue	Net Income	Basic EPS	Diluted EPS
Q3, FY2015	90,014	7,525	0.30	0.25
Q2, FY2015	76,324	4,710	0.19	0.16
Q1, FY2015	67,732	3,896	0.15	0.14
Q4, FY2014	104,720	5,361	0.21	0.18
Q3, FY2014	63,960	5,885	0.23	0.21
Q2, FY2014	61,990	3,617	0.14	0.13
Q1, FY2014	49,039	2,338	0.09	0.09
Q4, FY2013	61,483	2,311	0.09	0.09

As a result of the Company taking on more projects in the past year, the quarterly revenue have been on an upward trend over the past two years. Generally speaking, there is relatively less construction activities in the third quarter due to the Chinese New year holidays, and relatively more construction activities in the fourth quarter attributable to friendlier weather conditions and the Company trying to make up for the loss of production time in the previous quarter.

LIQUIDITY AND CAPITAL RESOURCES

US$'000	Q3, FY2015	Q3, FY2014	YTD2015	YTD2014

Operating activities	(12,869)	(1,293)	(14,919)	(3,232)
Investing activities	(14)	65	(117)	(198)
Financing activities	13,955	(2,361)	14,165	2,719
Effect of currency translation	27	(98)	64	(45)
Net Increase in cash and cash equivalents	1,099	(3,686)	(808)	(756)

Net cash used by operating activities was $12.9 million for this quarter versus $1.3 million for the same quarter last year. The increase this quarter was mainly due to the increase in advances and prepaid expenses. For YTD2015 the net cash used was $14.9 million compared to $3.2 million for YTD2014.

Net cash used by investing activities in this quarter was $0.01 million compared to net cash provided of $0.06 million for the same quarter last year. There were no significant investing activities in both quarters.

For Q3 FY2015 net cash provided by financing activities was $14.0 million mainly as a result of additional bank loans in the period. In the same quarter last year the net cash used by financing activities was $2.4 million. For the nine-month period ended March 31, 2015, net cash provided by financing activities was $14.2 million, compared to $2.7 million for the same period last year.

The increase in unbilled revenue over the few years has put additional pressure on the Company's cash flows situation. The unbilled revenue balance was $138.8 million at March 31, 2015, compared to $127.9 million at June 30, 2014. There are essentially two main reasons for the increase in unbilled revenue balances in this period.

The first reason relates to the growth strategy of the Company over the last several years. The Company continues to gain market share in the construction industry in China by capitalizing on opportunities to take on additional work. This strategy is paying off, as potential customers observe that the Company is able to complete complex projects at a high quality standard on a timely basis. Ultimately, this increases the amount of unbilled revenue at a rate faster than what is being final billed and collected for previous projects. The unbilled revenue of the Company would certainly decrease if the Company stopped taking on projects or decreased the number and size of projects. The Company currently uses this strategy as its business model and has historically used the same model, which has resulted in growth and success over the years.

The other reason being the Company has experienced some delays in billing our customers over the last couple of years as the measures introduced by the Chinese central government three years ago to cool down the real estate market have had a negative impact on collection period. Delays in billing can occur during construction period and also when the projects have been completed. Generally speaking, delays in billing during construction period occurred as a result of customers wanting us to delay the issuance of the invoices until they are in a better cash flow position.
It is normally stipulated in the contracts as well as industry practices that a portion of the construction price will not be invoiced to the customers until the final completion report is signed. The final completion report establishes the final price of the contract (i.e. the final contract price plus all the extras and change orders). Executing the final completion report is dependent on many different variables and there maybe delays. The variables range from customers waiting for sales of the development to occur so they can pay their suppliers and tax obligations, remediation of certain work or final government permits to name a few. As a result amounts are classified as unbilled revenue for a longer period of time until these issues are resolved. The finalization of the completed contract reports is a long and tedious process as it involves checking of all the work done and related costs in a particular project. This is particularly so when a lot of changes have been made to the original design during the construction process. Normally this process will take approximately up to 12 months to complete. In recent years this process has taken longer to complete due to the increase in size of the projects that the Company has taken on. The inspection process has become more complex and the developer often dictates the inspection timing. . The average contract price of new projects accepted in fiscal 2014 was approximately RMB 127 million compared to approximately RMB 35 million for ongoing projects in 2009. Due to the significant increase in size of projects, the construction period, timing of the issuance of completion reports and the overall length of the Company's operating cycle has increased. Additionally, the Company believes this is a tactic used by the developers to delay payments to their contractors as once the completion reports are issued; the developers have to start making final payments to the contractor. From a business perspective, developers are avoiding payment until the very last moment. Unlike the distribution industry where they can stop selling products or providing services to a customer who has reached their credit limit, companies in the construction industry will general complete project even

though customers may be behind on their payment terms.

The Company intends to use cash generated from operations to fund working capital requirements. The Company also intends to aggressively pursuit customers for payments of unbilled revenue and overdue accounts receivable. The Company will obtain long and/or short term financing from local PRC banks or make other lending arrangements in order to subsidize any shortfall in working requirements. The Company may also look to the market to issue shares or debentures in order to fund any cash shortages.

The Company actual cash receipts from customers for the FY2014 was $234.7 million. The Company also has approximately $74 million of banking facilities of which approximately $61 million has been used at the moment. The Company is constantly looking for additional banking facilities. We are currently discussing with several local financial institutions to obtain additional facilities up to $10 million.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders through expansion and acquisition correspondingly to the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company is subject to externally imposed capital requirements through its restricted cash and bank loan requirements. In addition the PRC law requires the Company to set aside a statutory reserve. Statutory reserve refers to the amount appropriated from the retained earnings in accordance with laws or regulations, which can be used to recover losses and increase capital, as approved, and, are to be used to expand production or operations. PRC laws prescribe that an enterprise operating at a profit must appropriate, on an annual basis, from its earnings an amount to the statutory reserve to be used for future company development. Such an appropriation is made until the reserve reaches a maximum equaling 50% of the enterprise's capital.

The Company's primary sources of funding have been short-term loans from banks, Secured and Unsecured Debentures, equity offerings, and cash provided by operating activities. The Company's primary uses of funding have been to provide working capital to the Company's construction projects.

The Company had cash and cash equivalents balance of $3.6 million as at March 31, 2015 as compared to a cash and cash equivalents balance of $4.5 million as at June 30, 2014. The Company had $186.7 million in current assets and $132.9 million in current liabilities as at March 31, 2015.

On November 3, 2010, the Company completed a prospectus offering of 15,000 unsecured subordinated convertible debentures at a price of $987 (CDN$1,000) per debenture for gross proceeds of $14,799,000 (CDN$15,000,000). Each convertible debenture bears interest at a rate of 10% per annum to be paid semi-annually in arrears and will be due on October 31, 2015. Each convertible debenture, at the election of the holder, is convertible to 384.6153 common shares of the Company at a conversion price of CDN$2.60 per share. The convertible debentures are redeemable by the Company at any time from and after November 1, 2013 at a price equal to the principal amount thereof plus accrued and unpaid interest if the common shares of the Company trade at a volume weighted average price not less than 125% of the conversion price of the debentures for the 20 most recent trading days with at least 1,000 shares traded in each trading day ending five trading days before the applicable redemption notice.

On March 20, 2015, the debenture holders approved a modification to the terms of the convertible debentures that were due on October 31, 2015. The following modifications have been made and were effective July 1, 2015:

i. The interest rate was increased from 10% to 11.5% per annum;
ii. a retraction right was added whereby CDN$5,000,000 is redeemable by the Company, at the holder’s option, on October 31, 2015 and CDN$1,500,000 is redeemable by the Company, at the holder’s option, on each of October 31, 2016 and October 31, 2017;
iii. the maturity date was extended from October 31, 2015 to October 31, 2018;

iv. the conversion price was reduced from CDN$2.60 per share to CDN$1.00 per share; and

v. the restricted redemption period was extended to October 31, 2016

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 25,420,065 common shares outstanding. The Company has Unsecured Debentures outstanding of $10 million that can be converted into 10 common shares.. The outstanding share options granted to directors and officers are 1,755,000.

Off Balance Sheet Arrangements

As at March 31, 2015, the Company had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company**.**

FINANCIAL INSTRUMENTS

Interest Rate and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents, restricted cash and accounts receivable. The Company has significant cash and cash equivalents and restricted cash balances that are interest-bearing. To minimize the credit risk the Company places these instruments with high credit quality financial institutions located in China.

The Company's accounts receivable are all from well-known customers located in China. Credit risk from accounts receivable encompasses the default risk of the Company's customers. The Company extends credit to its customer. The credit is secured by virtue of law. Under PRC regulations, a general contractor is entitled to first claim of assets against its customers. This entitlement gives the class I general contractor “mechanic lien” which is senior than all other secured debt including but limited to bank loans, notes, and any payables. If a customer defaults payment on the contract with the Company, the customer can be liable to surrender the real property and the land use rights associated with that real property that is under construction.

Management, on an ongoing basis, monitor the level of accounts receivable attributable to each customer and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

Management does not believe that there is significant credit risk arising from any of the Company's customers apart from those that provision for doubtful debt and impairment loss have already been made ; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts.

The Company is exposed to interest rate risk on its bank loans and notes payable to the extent that its credit facilities are based on floating rates of interest.

Currency Risk

The Company generates revenues and incurs expenses and expenditures primarily in Canada and China and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the US or Canadian dollar relative to the RMB could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact on net income which a change in foreign exchange rate during the nine months ended March 31, 2015 would have had.

The sensitivity analysis includes the assumption that changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

The result of sensitivity analysis shows that an increase (decrease) of 10% in the RMB to US Dollar exchange rate could have no impact on the Company’s net income but could have increased (decreased) the comprehensive income by approximately $5,028,000. An increase (decrease) of 10% in CDN$ to US Dollar exchange rate could have no impact on the Company’s net income but could have decreased (increased) the comprehensive income by approximately $921,000.

The above result arises primarily because the Company has RMB and CND$ denominated cash and cash equivalents, restricted cash, accounts and other receivable balances, deposits, bank loans, accounts payable and automobile loans, convertible debentures and amounts due to and due from related parties. The financial position of the Company may vary at the time that a change in the foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing and bank loans.

The Company intends to use cash generated from operations to fund working capital requirements. The Company also intends to aggressively pursuit customers for payments of unbilled revenue and overdue accounts receivable. The Company will obtain long and/or short term financing from local PRC banks or make other lending arrangements in order to subsidize any shortfall in working requirements. The Company may also look to the market to issue shares or debentures in order to fund any cash shortages.

The following are the contractual maturities of financial liabilities as at March 31, 2015:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 5 years
	$	$	$	$	$
Bank loans	75,852,417	75,852,417	75,852,417	-	-
Notes payable	15,207,351	15,207,351	15,207,351	-	-
Loan payable	2,962,661	3,253,680	2,169,120	1,084,560	-
Accounts payable	13,944,862	13,944,862	13,944,862	-	-
Automobile loans	152,634	158,796	124,268	34,528	-
Convertible debentures	9,259,946	18,626,103	5,139,726	1,714,891	11,771,486
Total	117,379,871	127,043,209	112,437,744	2,833,979	11,771,486

Economic, political, & legal risk

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

The real estate industry in China is subject to government regulations. Until 2009, the real estate markets in a number of major cities in China had experienced rapid and significant growth. Before the global economic crisis hit all the major economies worldwide in 2009, the PRC government had adopted a series of measures to restrain what it perceived as unsustainable growth in the real estate market. From 2003 to 2013, the PRC government introduced a series of specific administrative and credit-control measures including, but not limited to, setting minimum down payment requirements for residential and commercial real estate transactions, limiting availability of mortgage loans, and tightening governmental approval process for certain real estate transactions. Such measures and policies by the government have negatively affected the real estate market and caused a reduction in transactions in the real estate market. While these measures and policies remain in effect, they may continue to depress the real estate market, dissuade would-be buyers from making purchases, reduce transaction volume, cause a decline in average selling prices, and prevent developers from raising the capital they need and increase developers' costs to start new projects. This naturally has a negative impact on the construction industry, particularly on gross margins and payment terms for new construction projects. These factors may materially and adversely affect our business, financial condition, results of operations and prospects. Despite the recent government measures aimed at maintaining the long-term stability of the real estate market, there is no assurance that the PRC government will not continue to adopt new measures in the future that may result in short-term downward adjustments and uncertainty in the real estate market.

RECENT ACCOUNTING PRONOUNCEMENTS

The mandatory adoption of the following new and revised accounting standards and interpretations on July 1, 2014 had no significant impact on the Company's financial statements for the current year or prior year presented. The following standards were adopted during the period:

- IAS 32 *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

- IAS 36 *Impairment of Assets* - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a cash-generating until ("CGU") for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

<u>New accounting standards effective January 1, 2016</u>

- IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* - On September 2014, the IASB published an amendment to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- IAS 27 *Separate Financial Statements* – In August 2014, the IASB issued an amendment to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

- IFRS 11 *Joint Arrangements* – In May 2014, the IASB issued an amendment to clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* - In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

<u>New accounting standards effective January 1, 2017</u>

- IFRS 15 *Revenue from Contracts with* Customers - IFRS 15 was issued in May 2014 and specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

<u>New accounting standards effective January 1, 2018</u>

- IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

  Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial*

Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The **Chief Executive Officer (“CEO**”) and Chief Financial Officer (“**CFO**”) are responsible for designing disclosure controls and procedures (“**DC&P**”) and internal controls over financial reporting (“**ICFR**”) as defined in National Instrument 52-109. The control framework used in the design of both DC&P and ICFR is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management does not expect the Company’s disclosure controls and internal controls can prevent all errors or fraud. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all controls issues have been detected. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

The design and effectiveness of internal controls over financial reporting was assessed as of March 31, 2015. Based on the evaluation, the Company concluded that the design and effectiveness of the Company's DC&P and ICFR was sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

In 2010, the Company engaged an international consulting company to review its internal control system for financial reporting and to make recommendations on improving the internal control system. The Company's internal control system has been strengthened to a certain extent as the majority of the recommendations were implemented by the end of calendar 2010, although management acknowledged that many improvements were needed. In August 2013, as a result of information noted below, the Company again engaged the same consulting company to perform another comprehensive review of the financial reporting and internal control system.

On May 31, 2013, Boyuan announced that the OSC had issued a Notice of Hearing to consider a settlement agreement (the "**Settlement Agreement**") that had been reached by the Staff of the OSC (the "Staff") with Boyuan. The Settlement Agreement related to allegations made by the Staff regarding certain inaccurate documents and information provided by Boyuan to the Staff and to Boyuan's auditors for a related party loan transaction entered into by the CEO on behalf of Boyuan and to Boyuan's lack of adequate internal control procedures on related party transactions and provision of information to its auditor and regulator.

On June 5, 2013, Boyuan announced that the OSC issued an Order approving the Settlement Agreement. Pursuant to the terms of the OSC Order, Boyuan is required to engage an internal control consultant to review the internal control and financial reporting procedures and policies of Boyuan, to make recommendations for improvement and to report to the Staff on its review and Boyuan's progress in implementing the consultant's recommendations. The consultant is required to report to the Staff on its recommendations within three months of its engagement by Boyuan, and Boyuan is required to implement the consultant's recommendations within nine months, subject to certain time extensions that may be approved by the Staff. The consultant's report was issued on November 26, 2013. By December 31, 2014, the Company has implemented all the recommendations made by the consultant. The consultant has completed a review of the implementation in this quarter and issued a final report to the Staff and Company stating that the Company has successfully implemented all their recommendations.

SUBSEQUENT EVENTS

1. On October 16, 2015, the OSC issued a management cease trade order which imposed restrictions on all trading in and all acquisitions of securities of the Company by the Chief Executive Officer ("CEO) and Chief Financial Officer ("CFO") of the Company until all required filings have been made.

2. On October 31, 2015, the Company successfully retracted and redeemed CDN$5,000,000 of the 11.5% convertible debentures due on October 31, 2018.

OUTLOOK

The continued growth of China's middle class and the ongoing development of tier two cities as a result of urbanization suggest that higher demand for the Company's construction services will remain strong in the long term. In the near term, the restrictive measures imposed by the central government on the residential market and the tightening of financing facilities to property developers will continue to dampen the pace of growth for the Company. Over the longer term, the Company believes that its growth will be driven by expanding its reach in tier-two cities and increasing focus on speciality construction projects, which the Company believes will deliver higher profit margins. As a part of this strategic direction, the Company plans to upgrade its qualification and engineering standards to ensure that it can tap into this growing market potential.

Boyuan Construction Group, Inc.

Condensed Interim Consolidated Financial Statements
For the Nine Months Ended
March 31, 2015 and 2014
(Unaudited)
(Restated and Amended)

Notice of No Auditor Review of Restated Unaudited Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying restated unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these restated unaudited condensed interim consolidated financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

The Company's management draws attention to Note 2(a) to the restated unaudited condensed interim consolidated financial statements for the nine months ended March 31, 2015 and 2014 which indicates that these condensed interim consolidated financial statements have been restated from those on which originally reported on May 14, 2015 and more extensively describes the reasons for the restatements.

Boyuan Construction Group, Inc.

Restated Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in US Dollars)

	March 31, 2015 (Unaudited) (Restated – Note 2a)	June 30, 2014 (Audited)
	$	$
Current Assets		
Cash and cash equivalents	3,652,330	4,459,898
Accounts receivable(Note 18)	29,356,536	9,215,050
Unbilled revenue (Note 4)	96,626,772	95,586,120
Restricted cash (Note 5)	11,808,886	8,809,390
Other receivables	1,904,524	570,238
Inventory	460,604	653,920
Advances and prepaid expenses (Note 6)	33,145,576	10,275,211
Deposits (Note 7)	9,697,465	11,032,704
Due from related parties (Note 8)	61,166	60,236
	186,713,859	140,662,767
Refundable deposit (Note 12)	581,919	573,073
Land use rights (Note 9)	1,668,653	1,648,522
Property and equipment (Note 10)	13,057,806	15,052,973
Accounts receivable (Note 18)	425,964	2,803,087
Unbilled revenue (Note 4)	42,136,168	32,289,474
Deferred tax assets (Note 17)	1,885,976	1,894,382
	246,470,345	194,924,278
Current Liabilities		
Bank loans (Note 11)	75,852,417	48,902,568
Bank notes payable (Note 11)	15,207,351	18,127,156
Current portion of loan payable (Note 12)	1,915,235	1,722,585
Accounts payable and accrued liabilities (Note 13)	27,266,459	20,830,433
Income taxes payable	7,986,757	2,650,567
Deferred revenue (Note 4)	2,679,571	267,959
Current portion of convertible debentures (Note 14)	1,859,267	-
Current portion of automobile loans	113,440	111,837
	132,880,497	92,613,105
Loan payable (Note 12)	1,047,426	2,467,233
Convertible debentures(Note 14)	5,350,903	13,474,515
Automobile loans	39,194	132,964
	139,318,020	108,687,817
Shareholders' Equity		
Share capital (Note 15)	7,156,864	7,156,864
Contributed surplus	6,802,390	5,340,721
Reserves (Note 16)	9,228,523	7,373,221
Equity component of convertible debentures (Note 15)	4,603,470	2,059,230
Retained earnings	68,109,561	57,084,002
Accumulated other comprehensive income – foreign currency translation adjustment	11,251,517	7,222,423
	107,152,325	86,236,461
	246,470,345	194,924,278

COMMITMENTS AND CONTINGENCIES (Note 22)
SUBSEQUENT EVENTS (Note 23)

Approved on behalf of the Board of Directors:

“Francis Leong”	*“Jack Duffy”*
Francis Leong, Director	Jack Duffy, Director

See accompanying notes to restated unaudited condensed interim consolidated financial statements.

Boyuan Construction Group, Inc.

Restated Unaudited Condensed Interim Consolidated Statements of Comprehensive Income
(Expressed in US Dollars)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2015 (Restated – Note 2a)	March 31, 2014 (Restated – Note 2a)	March 31, 2015 (Restated – Note 2a)	March 31, 2014 (Restated – Note 2a)
	$	$	$	$
Construction revenue	90,013,542	63,959,811	229,080,415	169,754,325
Cost of construction	77,762,486	53,495,565	201,848,717	148,256,427
Gross profit	12,251,056	10,464,246	27,231,698	21,497,898
Expenses				
Amortization of property and equipment	778,262	862,850	2,338,160	2,567,556
General and administrative expenses	1,285,115	1,192,472	3,797,101	3,821,691
	2,063,377	2,055,322	6,135,261	6,389,247
Income from operations	10,187,679	8,408,924	21,096,437	15,108,651
Other Income (expense)				
Interest and other income (expense)	917,114	806,520	2,727,321	3,149,566
Foreign exchange gain (loss)	548	289	(13,362)	1,645
Interest expense	(1,456,136)	(1,927,522)	(5,168,814)	(5,491,987)
Share-based compensation	(84,308)	144	(273,160)	(42,267)
Gain on extinguishment of debt	193,818	-	193,818	-
	(428,964)	(1,120,569)	(2,534,197)	(2,383,043)
Net income before income taxes	9,758,715	7,288,355	18,562,240	12,725,608
Income taxes (Note 17)	2,233,967	1,403,772	5,681,379	3,978,397
Net income for the period	7,524,748	5,884,583	12,880,861	8,747,211
Other Comprehensive Income Items that may be reclassified subsequently to income:				
Unrealized gain on foreign exchange translation	2,004,741	(489,176)	4,029,094	185,990
Comprehensive income for the period	9,529,489	5,395,407	16,909,955	8,933,201
Earnings per share, basic (Note 21)	0.30	0.23	0.51	0.34
Earnings per share, diluted (Note 21)	0.25	0.21	0.45	0.32
Weighted average number of common shares outstanding, basic (Note 21)	25,420,065	25,420,065	25,420,065	25,420,065
Weighted average number of common shares outstanding, diluted (Note 21)	31,189,296	31,189,296	31,189,296	31,189,296

See accompanying notes to restated unaudited condensed interim consolidated financial statements.

Boyuan Construction Group, Inc.

Restated Unaudited Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in US Dollars)
(Unaudited)

	Share Capital	Contributed Surplus	Reserves	Equity Component of Convertible Debentures	Retained Earnings (Restated – Note 2a)	Foreign Currency Translation Adjustment	Total Shareholders' Equity (Restated – Note 2a)
	$	$	$	$	$	$	$
Balance, June 30, 2013	7,156,864	5,037,728	7,373,221	2,059,230	50,956,295	8,276,529	80,859,867
Share-based compensation	-	33,722	-	-	-	-	33,722
Net income for the period	-	-	-	-	1,770,104	-	1,770,104
Other comprehensive income	-	-	-	-	-	(492,552)	(492,552)
Balance, September 30, 2013	7,156,864	5,071,450	7,373,221	2,059,230	52,726,399	7,783,977	82,171,141
Share-based compensation	-	8,689	-	-	-	-	8,689
Net income for the period	-	-	-	-	1,092,523	-	1,092,523
Other comprehensive income	-	-	-	-	-	1,167,719	1,167,719
Balance, December 31, 2013	7,156,864	5,080,139	7,373,221	2,059,230	53,818,922	8,951,696	84,440,072
Share-based compensation	-	(144)	-	-	-	-	(144)
Net income for the period	-	-	-	-	5,884,584	-	5,884,584
Other comprehensive income	-	-	-	-	-	(489,176)	(489,176)
Balance, March 31, 2014	7,156,864	5,079,995	7,373,221	2,059,230	59,703,506	8,462,520	89,835,336
Balance, June 30, 2014	7,156,864	5,340,721	7,373,221	2,059,230	57,084,002	7,222,423	86,236,461
Share-based compensation	-	96,500	-	-	-	-	96,500
Net income for the period	-	-	-	-	2,835,065	-	2,835,065
Other comprehensive income	-	-	-	-	-	1,463,341	1,463,341
Balance, September 30, 2014	7,156,864	5,437,221	7,373,221	2,059,230	59,919,067	8,685,764	90,631,367
Share-based compensation	-	92,352	-	-	-	-	92,352
Transfer to reserves	-	-	1,855,302	-	(1,855,302)	-	-
Net income for the period	-	-	-	-	2,521,048	-	2,521,048
Other comprehensive income	-	-	-	-	-	561,012	561,012
Balance, December 31, 2014	7,156,864	5,529,573	9,228,523	2,059,230	60,584,813	9,246,776	93,805,779
Modification of convertible Debenture - net (Note 14)	-	1,188,509		2,544,240		-	3,732,749
Share-based compensation	-	84,308	-	-	-	-	84,308
Net income for the period	-	-	-	-	7,524,748	-	7,524,748
Other comprehensive income	-	-	-	-	-	2,004,741	2,004,741
Balance, March 31, 2015	7,156,864	6,802,390	9,228,523	4,603,470	68,109,561	11,251,517	107,152,325

See accompanying notes to restated unaudited condensed interim consolidated financial statements.

Boyuan Construction Group, Inc.
Restated Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in US Dollars)
(Unaudited)

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
	$	$
OPERATING ACTIVITIES		
Net income for the period	12,880,861	8,747,211
Items not involving cash:		
Amortization	2,338,160	2,567,556
Gain on extinguishment of debt	(193,818)	-
Interest accretion	1,635,069	1,633,659
Interest income on accounts receivable and unbilled revenue	(2,608,255)	(3,211,919)
Share-based compensation	273,160	42,267
Deferred income tax expense	8,406	528,689
Unrealized foreign exchange loss	(52,961)	(490,561)
	14,280,622	9,816,902
Changes in non-cash working capital balances:		
Accounts receivables	(17,469,875)	(5,604,013)
Unbilled revenue	(5,976,764)	9,539,982
Other receivables	(1,339,515)	260,184
Inventories	202,284	(23,946)
Advance and prepaid expenses	(22,586,212)	(22,108,748)
Deposits	1,497,207	(1,012,479)
Accounts payable and accrued liabilities	6,221,766	3,044,756
Deferred revenue	2,394,151	(832,381)
Income taxes payable	7,856,967	3,687,650
Cash used in operating activities	(14,919,369)	(3,232,093)
INVESTING ACTIVITY		
Acquisition of property and equipment	(117,303)	(197,984)
Cash used in investing activity	(117,303)	(197,984)
FINANCING ACTIVITIES		
Restricted cash	(2,847,666)	2,963,481
Bank loans	23,445,460	(2,277,032)
Bank notes payable	(3,181,907)	(1,259,046)
Loan payable	(1,284,681)	4,057,884
Debt renewal costs	(569,914)	-
Automobile loans	(95,414)	(61,474)
Convertible debentures, net	(1,300,615)	(705,285)
Cash provided by financing activities	14,165,263	2,718,528
Effect of changes in exchange rates on cash	63,841	(44,716)
Change in cash	(807,568)	(756,265)
Cash and cash equivalents, beginning	4,459,898	4,645,388
Cash and cash equivalents, ending	3,652,330	3,889,123
Supplemental disclosure of cash flow information:		
Cash paid for interest	4,632,531	3,728,433
Cash paid for income taxes	402,746	290,747

See accompanying notes to restated unaudited condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Boyuan Construction Group, Inc. (the "Company") was incorporated under the Canada Business Corporations Act on May 4, 2007. The Company's registered office and principal place of business is located at No. 6 East Road, Jiaxing Port, Zhejiang Province, the People's Republic of China ("China" or "PRC"). The condensed interim consolidated financial statements of the Company include the assets and operations of the Company, its subsidiaries and other entities it controls. The Company's primary business is in the construction of residential and commercial buildings, municipal infrastructure and engineering projects in the PRC.

2. BASIS OF CONSOLIDATION AND PRESENTATION

(a) Restatement

The Company has restated its condensed interim consolidated statement of financial position as at March 31, 2015, and its condensed interim consolidated statements of comprehensive income, condensed interim consolidated statements of cash flows and condensed interim consolidated statements of changes in equity for the nine months ended March 31, 2015 and 2014.

Management conducted a review of certain accounting issues and determined that the following items required adjustment in the unaudited condensed interim consolidated financial statements for the nine months ended March 31, 2015 and 2014:

i. Certain amounts in unbilled revenue and accounts receivable should have been classified as non-current as the amounts were not expected to be collected within one year subsequent to the reporting period or in the Company' normal operating cycle. The amounts recorded as non-current were discounted to reflect the long-term nature;

ii. The Company engaged an independent valuator to assess the fair value of the liability and equity components of modified convertible debentures as at the date of approval of modification, which are substantially different with the amounts previously recognized by the Company.

The misstatements identified resulted in a decrease in revenue, net income and comprehensive income. Current assets, total assets, current liabilities, and retained earnings have also decreased. Non-current assets have increased.

The following notes describe the impact of the adjustments to the condensed interim consolidated financial statements:

(a) The Company reclassified unbilled revenue of $48,941,254 as at March 31, 2015 from current to non-current assets. A discount of $6,805,086 was applied on the non-current balance as at March 31, 2015 with the offsetting decrease to revenue.

(b) The Company reclassified accounts receivable of US$467,043 as at March 31, 2015 from current to non-current assets. A discount of $41,079 was applied on the non-current balance as at March 31, 2015 with the offsetting decrease to revenue.

(c) Accretion income from the discount on non-current accounts receivable and unbilled revenue of $2,608,255 and $3,211,919 was recorded to interest and other income for the nine months ended March 31, 2015 and 2014 respectively.

(d) The Company offset deferred tax liabilities of $1,435,762 with deferred tax assets.

(e) The Company derecognized convertible debentures of US$3,092,650 as at March 31, 2015 from current liabilities and recognized convertible debentures of US$1,042,874 as at March 31, 2015 to non-current liabilities. The Company also recognized US$1,903,591, US$180,370 and US$1,872,019 to equity component of convertible debentures, contributed surplus and foreign currency translation adjustment. As a result of above, the Company derecognized gain on extinguishment of debt of US$1,906,204 for the nine months ended March 31, 2015.

The following tables presents the impact of the restatement adjustments on the Company's previously reported condensed interim consolidated financial statements as at and for the nine months ended March 31, 2015 and 2014.

(Expressed in US Dollars)

2. RESTATEMENT AND BASIS OF CONSOLIDATION AND PRESENTATION (continued)

(a) Restatement (continued)

The restated unaudited condensed interim consolidated statement of financial position at March 31, 2015 has been reconciled to the previously reported unaudited condensed interim consolidated statement of financial position as follows:

	March 31, 2015		
	Previously reported	Adjustments	As restated
	$	$	$
Current Assets			
Cash and cash equivalents	3,652,330	-	3,652,330
Accounts receivable	30,192,016	(835,480)	29,356,536
Unbilled revenue	158,486,540	(61,859,768)	96,626,772
Restricted cash	11,808,886	-	11,808,886
Other receivables	1,904,524	-	1,904,524
Inventory	460,604	-	460,604
Advances and prepaid expenses	33,145,576	-	33,145,576
Deposits	9,697,465	-	9,697,465
Due from related parties	61,166	-	61,166
	249,409,107	(62,695,248)	186,713,859
Refundable deposit	581,919	-	581,919
Land use rights	1,668,653	-	1,668,653
Property and equipment	13,057,806	-	13,057,806
Accounts receivable	-	425,964	425,964
Unbilled revenue	-	42,136,168	42,136,168
Deferred tax assets	-	1,885,976	1,885,976
	264,717,485	(18,247,140)	246,470,345
Current Liabilities			
Bank loans	75,852,417	-	75,852,417
Bank notes payable	15,207,351	-	15,207,351
Current portion of loan payable	1,915,235	-	1,915,235
Accounts payable and accrued liabilities	27,266,459	-	27,266,459
Income taxes payable	7,986,757	-	7,986,757
Deferred revenue	2,679,571	-	2,679,571
Convertible debentures	4,951,917	(3,092,650)	1,859,267
Current portion of automobile loans	113,440	-	113,440
	135,973,147	(3,092,650)	132,880,497
Loan payable	1,047,426	-	1,047,426
Deferred tax liabilities	1,435,762	(1,435,762)	-
Convertible debentures (Note 14)	4,308,029	1,042,874	5,350,903
Automobile loans	39,194	-	39,194
	142,803,558	(3,485,538)	139,318,020
Shareholders' Equity			
Share capital	7,156,864	-	7,156,864
Contributed surplus	6,622,020	180,370	6,802,390
Reserves	9,228,523	-	9,228,523
Equity component of convertible debentures	2,699,879	1,903,591	4,603,470
Retained earnings	86,827,143	(18,717,582)	68,109,561
Accumulated other comprehensive income	9,379,498	1,872,019	11,251,517
	121,913,927	(14,761,602)	107,152,325
	264,717,485	(18,247,140)	246,470,345

(Expressed in US Dollars)

2. RESTATEMENT AND BASIS OF CONSOLIDATION AND PRESENTATION (continued)

(a) Restatement (continued)

The restated unaudited condensed interim consolidated statement of comprehensive income for the nine months ended March 31, 2015 has been reconciled to the previously reported unaudited condensed interim consolidated statement of comprehensive income as follows:

	The nine months ended March 31, 2015		
	Previously reported	Adjustments	As restated
	$	$	$
Construction revenue	233,549,183	(4,468,768)	229,080,415
Costs of construction	201,848,717	-	201,848,717
Gross profit	31,700,466	(4,468,768)	27,231,698
Expenses			
Depreciation of property and equipment	2,338,160	-	2,338,160
General and administrative expenses	3,797,101	-	3,797,101
	6,135,261	-	6,135,261
Income before other items and income taxes	25,565,205	(4,468,768)	21,096,437
Other Income (expense)			
Interest and other income	119,066	2,608,255	2,727,321
Foreign exchange loss	(13,362)	-	(13,362)
Interest expense	(5,168,814)	-	(5,168,814)
Share-based compensation	(273,160)	-	(273,160)
Gain on extinguishment of debt	2,100,022	(1,906,204)	193,818
	(3,236,248)	702,051	(2,534,197)
Income before income taxes	22,328,957	(3,766,717)	18,562,240
Income taxes	5,681,379	-	5,681,379
Net income for the year	16,647,578	(3,766,717)	12,880,861
Other Comprehensive Loss			
Items that may be reclassified subsequently to income:			
Unrealized loss on foreign exchange translation	2,157,075	1,872,019	4,029,094
Comprehensive income for the year	18,804,653	(1,894,698)	16,909,955

(Expressed in US Dollars)

2. RESTATEMENT AND BASIS OF CONSOLIDATION AND PRESENTATION (continued)

(a) Restatement (continued)

The restated unaudited condensed interim consolidated statement of comprehensive for the nine months ended March 31, 2014 has been reconciled to the previously reported unaudited condensed interim statement of comprehensive income as follows:

	The nine months ended March 31, 2014		
	Previously reported	Adjustments	As restated
	$	$	$
Construction revenue	173,621,182	(3,866,858)	169,754,324
Costs of construction	148,256,427	0	148,256,427
Gross profit	25,364,755	(3,866,858)	21,497,897
Expenses			
Depreciation of property and equipment	2,567,556	-	2,567,556
General and administrative expenses	3,821,691	-	3,821,691
	6,389,247	-	6,389,247
Income before other items and income taxes	18,975,508	(3,866,858)	15,108,650
Other Income (expense)			
Interest and other income	(62,353)	3,211,920	3,149,567
Foreign exchange loss	1,645	-	1,645
Interest expense	(5,491,987)	-	(5,491,987)
Share-based compensation	(42,267)	-	(42,267)
	(5,594,962)	3,211,920	(2,383,043)
Income before income taxes	13,380,546	(654,938)	12,725,608
Income taxes	3,978,397	-	3,978,397
Net income for the year	9,402,149	(654,938)	8,747,211
Other Comprehensive Loss			
Items that may be reclassified subsequently to income:			
Unrealized loss on foreign exchange translation	185,990	-	185,990
Comprehensive income for the year	9,588,139	(654,938)	8,933,201

	For the nine months ended March 31, 2015	For the nine months ended March 31, 2014
	$	$
Basic earnings per share – as previously reported	0.65	0.37
Decrease	(0.14)	(0.03)
Basic earnings per share – restated	0.51	0.34
Diluted earnings per share – as previously reported	0.57	0.34
Decrease	(0.12)	(0.02)
Basic earnings per share – restated	0.45	0.32

2. RESTATEMENT AND BASIS OF CONSOLIDATION AND PRESENTATION (continued)

(b) Statement of compliance

These restated unaudited condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“ISAB) and using the accounting policies under International Financial Reporting Standards (“IFRS”) for interim financial information. The same accounting policies and principles were followed in respect of the preparation of these restated unaudited condensed interim consolidated financial statements as were followed in the preparation of the audited annual consolidated financial statements for the year ended June 30, 2014.

These restated unaudited condensed interim consolidated financial statements were approved by the Company’s Board of Directors on December 11, 2015.

(C) Summary of significant accounting policies

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended June 30, 2014. The disclosure contained in these condensed interim consolidated financial statements does not include all requirements in IAS 1, “Presentation of Financial Statements” (“IAS 1”). Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2014.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The mandatory adoption of the following new and revised accounting standards and interpretations on July 1, 2014 had no significant impact on the Company’s condensed interim consolidated financial statements for the current period or prior period presented. The following standards were adopted for the period ended March 31, 2015:

- IAS 32 *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

- IAS 36 *Impairment of Assets* - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a cash-generating until (“CGU”) for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset’s or a CGU’s recoverable amount is based on fair value less costs of disposal.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

<u>New accounting standards effective January 1, 2016</u>

- IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* - On September 2014, the IASB published an amendment to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- IAS 1 *Presentation of Financial Statements* – In December 2014, the IAS issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

- IAS 27 *Separate Financial Statements* – In August 2014, the IASB issued an amendment to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

- IFRS 11 *Joint Arrangements* – In May 2014, the IASB issued an amendment to clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

New accounting standards effective January 1, 2016(continued)

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* - In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

New accounting standards effective January 1, 2018

- IFRS 15 *Revenue from Contracts with* Customers - IFRS 15 was issued in May 2014 and specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

- IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

  Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

  IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim consolidated financial statements or whether to early adopt any of the new requirements.

(Expressed in US Dollars)

4. UNBILLED REVENUE

Unbilled revenue comprises gross amount due from developers for completed contracts and contracts in progress. Unbilled revenue is the net amount of construction costs incurred plus recognized profit less recognized losses, progress billings and payments.

		March 31, 2015 (unaudited) (Restated)	June 30, 2014 (audited)
		$	$
Completed contracts		27,091,080	24,144,503
Contracts in progress		131,395,460	121,044,471
		158,486,540	145,188,974
Less:	Imputed interest	(6,805,086)	(4,394,866)
	Impairment loss recognized	(12,918,514)	(12,918,514)
Net unbilled revenue		138,762,940	127,875,594
Current		96,626,772	95,586,120
Non-current		42,136,168	32,289,474
		138,762,940	127,875,594

The unbilled revenue recognized for contracts in progress included in the unbilled revenue are as follows:

	March 31, 2015	June 30, 2014
	$	$
Aggregate cost of construction	595,128,599	509,934,151
Gross profit recognized	105,262,043	92,110,398
	700,390,642	602,044,549
Less: aggregate of progress billing and payments	568,995,182	481,000,078
Contracts in progress – unbilled portion, end of period	131,395,460	121,044,471
Deferred revenue – contract in progress, end of period	2,679,571	267,959
Net position	128,715,889	120,776,512

Credit risk associated with unbilled revenue

Unbilled revenue represents amounts for which the Company has a contractual right to receive through future billings in accordance with construction contracts. Credit risk from unbilled revenue encompasses the default risk of customers and non-performance by customers in accordance with contractual terms. The Company's customers are private companies located in China. Its exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's exposure to credit risk associated with unbilled revenue is the risk that a customer will be unable to pay the Company under the contract. In its determination of valuation of unbilled revenue, management relies on current customer information and its planned course of action as well as assumptions about business and economic conditions in the future period over which the unbilled revenue is billed and then ultimately collected. Allowances are provided for where construction contracts result in an expected loss. The amounts disclosed on the statement of financial position are net of these expected losses. Unbilled revenue is reviewed on a case-by-case basis when amounts for accounts receivable are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, the credit worthiness and the current economic environment in which the customer operates to assess any additional losses.

If a customer defaults payment on the contract with the Company, the customer can be liable to surrender the real property and the land use rights associated with the real property that is under construction. However, should one of the Company's customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from unbilled revenue is equal to the carrying amount.

(Expressed in US Dollars)

5. RESTRICTED CASH

Restricted cash mainly represents compensating deposits held at banks to partially secure bank notes. The imposed restrictions dictate that funds cannot be withdrawn when there are outstanding bank notes payable, and the funds are only allowed to be used to settle bank notes payable (see Note 11(b)). The funds deposited as compensating balances are interest bearing. The amount of cash restricted varies based on the bank's credit policy at the time that the Company requests an increase or extension of its credit facilities.

6. ADVANCES AND PREPAID EXPENSES

	March 31, 2015 (unaudited)	June 30, 2014 (audited)
	$	$
Advances to project managers and suppliers	32,778,601	9,580,647
Prepaid expenses	39,189	96,663
Other	327,786	597,901
	33,145,576	10,275,211

The Company advances money to suppliers and project managers in order to secure construction materials and pay suppliers. The advances to the project managers are held in bank accounts in trust for the Company. As the funds advanced to project managers are held in trust there is a risk that they may be used in an unintended manner. Management has put controls to minimize the risks associated with these advances.

7. DEPOSITS

	March 31, 2015 (unaudited)	June 30, 2014 (audited)
	$	$
Contract performance deposits	8,909,593	10,008,880
Project tender deposits	466,517	672,212
Other	321,355	351,612
	9,697,465	11,032,704

Contract performance deposits are advanced to developers at the beginning of construction projects. The deposits are repaid to the Company based on the progress of construction and terms of the contract.

Project tender deposits are advanced to developers during the contract tendering period. The deposits are repaid to the Company when the tendering process is complete.

8. RELATED PARTY BALANCES AND TRANSACTIONS

	March 31, 2015 (unaudited)	June 30, 2014 (audited)
	$	$
Due from related parties		
Due from company controlled by the Chairman and Chief Executive Officer ("CEO")	61,166	60,236

As at March 31, 2015, the Company advanced project funds totalling $2,487,758 (June 30, 2014 - $2,475,634) to project managers who are related by family to the CEO. The amounts due from or due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

Key management personnel compensation

The Company has identified its directors and senior officers as its key management personnel. The remuneration of directors and senior officers during the period was as follows:

(Expressed in US Dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Nine Months Ended	
	March 31, 2015 (unaudited)	March 31, 2014 (unaudited)
	$	$
Salaries and benefits	244,006	375,863
Share-based compensation	210,480	33,659
Total	454,486	409,522

The transactions were incurred in the normal course of operations and have been recorded at exchange amounts.

9. LAND USE RIGHTS

	March 31, 2015 (unaudited)	June 30, 2014 (audited)
	$	$
Cost		
Balance, beginning of period	1,667,729	1,684,962
Foreign exchange movement	25,743	(17,233)
Balance, end of period	1,693,472	1,667,729
Accumulated amortization		
Balance, beginning of period	19,207	11,441
Charge for the period	5,286	7,054
Foreign exchange movement	326	712
Balance, end of period	24,819	19,207
Net book value, end of period	1,668,653	1,648,522

In June 2006, Zhejiang acquired a 50 year land use right in Jiaxing from a company controlled by the CEO at a carrying value of $Nil. The right expires on July 19, 2050. The Company's office building is located on this land.

In June 2007, Zhejiang acquired another 50 year land use right for $121,149 (RMB 769,719) for a piece of land in Jiaxing, Zhejiang, PRC. The right expires on August 23, 2056. The Company completed the construction of 2 residential buildings as employee quarters on this land in 2012.

In 2011, the Company acquired a land use right in Haikou, Hainan, PRC. The land use right has an indefinite useful life.

The Company's land leases are used as security for the bank loans described in Note 11(a). As at March 31, 2015, the carrying value of land use rights secured as collateral is $113,596 (June 30, 2014 – $117,103).

(Expressed in US Dollars)

10. PROPERTIES AND EQUIPMENT

	Machinery, Equipment and Scaffoldings	Buildings	Vehicles	Office Equipment	Leasehold Improvement	Total
	$	$	$	$	$	$
Cost						
Balance, June 30, 2014 (audited)	21,912,286	4,302,316	1,950,608	1,772,180	1,647,545	31,584,935
Additions	26,428	-	16,596	60,146	928	104,098
Foreign exchange movement	338,385	66,411	30,202	27,690	25,438	488,126
Balance, March 31, 2015 (unaudited)	22,277,099	4,368,727	1,997,406	1,860,016	1,673,911	32,177,159
Accumulated depreciation						
Balance, June 30, 2014 (audited)	11,020,356	2,187,361	1,259,338	1,096,166	968,741	16,531,962
Depreciation expense for the period	1,563,167	118,963	166,832	244,850	225,856	2,319,668
Foreign exchange movement	178,433	34,427	20,368	18,284	16,211	267,723
Balance, March 31, 2015 (unaudited)	12,761,956	2,340,751	1,446,538	1,359,300	1,210,808	19,119,353
Net book value						
At June 30, 2014 (audited)	10,891,930	2,114,955	691,270	676,014	678,804	15,052,973
At March 31, 2015 (unaudited)	9,515,143	2,027,976	550,868	500,716	463,103	13,057,806

The Company's buildings are used as security for the bank loans described in Note 11(a). As at December 31, 2014, the carrying value of the buildings secured as collateral is $2,027,976 (June 30, 2014 - $2,114,955).

11. BANK LOANS AND NOTES PAYABLE

(a) The bank loans are due within one year with interest paid monthly or quarterly at rates varying between 5.09% to 8.70% (June 30, 2014 - 0.59% to 8.20%), weighted average at 5.87% (June 30, 2014 - 6.12%) per annum. The loans are secured by the Company's real property and land lease, and guarantees of $55,857,655 (June 30, 2014 - $46,176,290) in aggregate provided by construction project developers and the CEO of the Company.

(b) The bank notes payable generally have terms six months or less. The notes are secured by compensating deposits held by the banks (see Note 5).

(Expressed in US Dollars)

12. LOAN PAYABLE

On September 30, 2013, the Company obtained a loan of $5,806,926 (RMB 35,550,000) from an unrelated company, 远东国际租赁有限公司, ("Yuandong"), located in Shanghai Pudong. The loan has a stated interest rate of 6.50% and bears an effective interest rate of 12.03%. The loan is payable in equal monthly installments from $179,456 (RMB 1,104,281) over 36 months with a maturity date of September 30, 2016. The loan is secured and is guaranteed by an unrelated party. The Company also paid an upfront service charge of $382,228 (RMB 2,340,000) to Yuandong related to obtaining the loan.

In connection with the loan, the Company paid a security deposit of $580,693 (RMB 3,555,000) which will be refunded to the Company in full at the end of the 36 months. As at March 31, 2015, the present value of the refundable deposit is $581,919.

	March 31, 2015 (unaudited)	June 30, 2014 (audited)
	$	$
Balance, beginning of period	4,189,818	-
Loan principal	-	5,806,926
Less: service charge	-	(382,228)
	4,189,818	5,424,698
Repayments	(1,628,105)	(1,621,473)
Foreign exchange movement	400,948	386,593
Balance, end of period	2,962,661	4,189,818
Less: current portion	(1,915,235)	(1,722,585)
Balance, end of period, Long-term portion	1,047,426	2,467,233

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2015 (unaudited)	June 30, 2014 (audited)
	$	$
Accounts payable to suppliers	10,429,257	1,969,755
Salaries and wages payable	149,865	429,079
Taxes payable	9,838,774	9,248,992
Accrued expenses	3,332,957	4,249,525
Other	3,515,606	4,933,082
	27,266,459	20,830,433

14. CONVERTIBLE DEBENTURES

	March 31, 2015 (unaudited) (Restated – Note 2a)	June 30, 2014 (audited)
	$	$
Balance, beginning of period	13,474,515	12,169,260
Interest accretion	1,638,230	2,188,983
Interest paid	(1,303,281)	(706,438)
Extinguishment of convertible debenture	(11,702,473)	-
Fair value of liability component (including fair value of closely embedded derivatives) of modified convertible debentures	7,176,773	-
Modification of convertible debentures		
Effect of foreign currency exchange differences	(2,073,594)	-
Foreign exchange gain on translation	-	(177,290)
Balance, end of period	7,210,170	13,474,515

(Expressed in US Dollars)

14. CONVERTIBLE DEBENTURES (continued)

The amounts of convertible debentures due, if not converted before their due date, in the next four years are as follows:

	$ (Restated – Note 2a)
Due on October 31, 2015	3,382,306
Due on October 31, 2016	1,014,692
Due on October 31, 2017	1,014,692
Due on October 31, 2018	4,735,228
Total principal	10,146,918
Less: interest at weighted average effective interest rate of 25.0%	(2,936,748)
	7,210,170
Less: current portion	(1,859,267)
	5,350,903

Convertible Debentures – Principal Amount of CAD15,000,000

On November 1, 2010, the Company completed a prospectus offering of 15,000 unsecured subordinated convertible debentures at a price of $987 (CDN$1,000) per debenture for gross proceeds of $14,799,000 (CDN$15,000,000). Each convertible debenture bears interest at a rate of 10% per annum to be paid semi-annually in arrears and will be due on October 31, 2015. Each convertible debenture, at the election of the holder, is convertible to 384.6153 common shares of the Company at a conversion price of CDN$2.60 per share. The convertible debentures are redeemable by the Company at any time on or after November 1, 2013 at a price equal to the principal amount thereof plus accrued and unpaid interest if the common shares of the Company trade at a volume weighted average price not less than 125% of the conversion price of the debentures for the 20 most recent trading days with at least 1,000 shares traded in each trading day ending five trading days before the applicable redemption notice ("restricted redemption"). The Company paid 6% agent's fee of $887,940 agent's legal and expenses of $404,646 and other issue costs of $94,451, totaling $1,387,037.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. Under this method, the value of the equity component of $2,657,900 was determined by deducting the fair value of the liability component from the principal amount of the financing. The fair value of the liability component of $11,003,593 was computed as the present value of future principal and interest payments discounted at a rate of 18% per annum. Debenture issue costs of $249,530 and deferred income tax expense of $336,750 were allocated to the equity component.

On March 20, 2015, the debenture holders approved a modification to the terms of the convertible debentures. The following modifications have been made and are effective July 1, 2015:

(i) The interest rate was increased from 10% to 11.5% per annum;
(ii) a retraction right was added whereby CDN$5,000,000 is redeemable by the Company, at the holder's option, on October 31, 2015 and CDN$1,500,000 is redeemable by the Company, at the holder's option, on each of October 31, 2016 and October 31, 2017;
(iii) the maturity date was extended from October 31, 2015 to October 31, 2018;
(iv) the conversion price was reduced from CDN$2.60 per share to CDN$1.00 per share; and
(v) the restricted redemption period was extended to October 31, 2016.

The modification was considered an extinguishment of the existing convertible debenture and the recognition of a new convertible debenture, as the modified terms were substantially different from the original terms. The Company paid issue costs totaling $622,394. As a result of the extinguishment and issue costs, the Company recorded a gain on extinguishment of debt of $193,818.

The Company uses the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. Under this method, the value of the equity component of $4,603,470 was determined by deducting the fair value of the liability component from the principal amount of the financing. The fair value of the liability component of $7,176,773 was computed as the present value of future principal and interest payments discounted at a rate of 27.43% per annum.

(Expressed in US Dollars)

15. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value.

Unlimited number of Class A Series 1 preferred shares without par value, each preferred share is convertible to one common share at no additional consideration

Issued and outstanding:

	Common Shares Number	$
Balance, March 31, 2015, June 30, 2014 and 2013	25,420,065	7,156,864

Options

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the shareholders which complies with the rules and policies of the TSX. Under the Plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 5 years, and the term will be reduced to one year following the date of death of the optionee. If the Optionee ceases to be qualified to receive options from the Company those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors.

As of March 31, 2015 the Company has stock options outstanding to directors and officers to acquire an aggregate of 1,755,000 common shares summarized as follows. The options have a weighted average remaining life of 4.25 years.

	Number of Options	Weighted Average Exercise Price
Stock options outstanding, June 30, 2013	2,125,000	$1.40
Granted	1,755,000	$0.61
Cancelled	(2,125,000)	$1.40
Stock options outstanding, June 30, 2014 and March 31, 2015	1,755,000	$0.61

Details of stock options outstanding:

Expiry Date	Exercise Price	Stock Options Outstanding	Stock Options Exercisable and Vested
June 30, 2019	$0.61	1,755,000	585,000

Equity Component of Convertible Debentures

	$ (Restated- Note 2a)
Balance, June 30, 2014	2,059,230
Modification of convertible debenture – net (Note 14)	2,544,240
	4,603,470

16. RESERVES

According to the Company Law of China and Zhejiang's Articles of Association, Zhejiang is required each year to transfer 10% of the profit after tax as reported in its financial statements, prepared in accordance with Chinese generally accepted accounting principles, to the statutory common reserve fund until the fund reaches 50% of the registered capital. This fund can be used to make up for any losses incurred in the future or be converted into paid-in capital, provided that the fund does not fall below 50% of the registered capital.

(Expressed in US Dollars)

17. INCOME TAX

HKCo, China Privco and Zhejiang are subject to taxes under their respective tax jurisdictions, which are the same as their respective place of incorporation.

Income tax expense are as follows:

	March 31, 2015 (unaudited) $	March 31, 2014 (unaudited) $
Current	5,672,973	3,449,708
Deferred	8,406	528,689
Total income tax expense	5,681,379	3,978,397

Deferred taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred tax assets (liabilities) are as follows:

	March 31, 2015 (unaudited) (Restated) $	June 30, 2014 (audited) $
Unbilled revenue, net of charges	1,038,926	1,161,046
Plant and equipment	847,050	733,336
Net deferred tax liabilities	1,885,976	1,894,382

18. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, other receivables, unbilled revenue, deposits, refundable deposit, bank loans, bank notes payable, accounts payable, loan payable, convertible debentures and automobile loans. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The Company also has financial instruments consisting of amounts due from related parties. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of the financial instrument, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of these financial instruments approximates their carrying values under the effective interest method.

The following table summarizes the carrying values of the Company's financial instruments:

	March 31, 2015 (unaudited) (Restated) $	June 30,2014 (audited) $
Assets as FVPTL (i)	15,461,216	13,269,288
Loans and receivables (ii)	180,790,514	152,129,982
Other financial liabilities (iii)	128,651,692	105,769,291

Fair values

(i) Cash and cash equivalents and restricted cash
(ii) Accounts receivable, unbilled revenue, other receivables, deposits, refundable deposit and amounts due from related parties
(iii) Bank loans, bank notes payable, loan payable, accounts payable, automobile loans and convertible debentures

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market date

(Expressed in US Dollars)

18. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The following table sets forth the Company’s financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
March 31, 2015 (unaudited)				
Cash and cash equivalents and restricted cash	15,461,216	-	-	15,461,216
June 30, 2014 (audited)				
Cash and cash equivalents and restricted cash	13,269,288	-	-	13,269,288

Interest Rate and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents, restricted cash, accounts receivable and other receivables. The Company has significant cash and cash equivalents and restricted cash balances. To minimize the interest rate and credit risk of cash and cash equivalents and restricted cash the Company deposits these instruments with financial institutions located in Canada and PRC.

Credit risk from accounts receivable, unbilled revenue and other receivables encompasses the default risk of customers. The Company’s customers are for the most part, private companies located in China. Its exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company’s exposure to credit risk associated with its accounts receivables, unbilled revenue and other receivables is the risk that a customer will be unable to pay amounts due to the Company. In its determination of valuation of accounts receivable, unbilled revenue and other receivables, including the allowance for doubtful accounts, management relies on current customer information and its planned course of action as well as assumptions about business and economic conditions in the future period over which the receivables are collectible. Allowances are provided for potential losses that have been incurred at the statement of financial position date. The amounts disclosed on the statement of financial position are net of these allowances for bad debts. Accounts receivables, unbilled revenue and other receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer’s payment history, the credit worthiness and the current economic environment in which the customer operates to assess impairment. Management, on an ongoing basis, monitor the level of accounts receivable, unbilled revenue and other receivables attributable to each customer and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

For the 9 months ended March 31, 2015, revenue from 1 customer accounted for 11% (March 31, 2014 – no customers accounted for 10% or more of total revenue) of total revenue. At March 31, 2015, outstanding amounts owed by 1 customer accounted for 10% of outstanding amounts of the total accounts receivable and unbilled revenue (March 31, 2014 – no customers owing 10% or more of outstanding amounts of the total accounts receivable and unbilled revenue).

Over the last three years, the Company has not suffered any significant credit related losses with any of its customers. Management does not believe that there is significant credit risk arising from any of the Company's customers. Under PRC regulations, a general contractor is entitled to first claim against assets of its customers, which gives a general contractor a “mechanic lien” senior to all other secured debt including but limited to bank loans, bank notes and any payables. If a customer defaults payment on the contract with the Company, the customer can be liable to surrender the real property and the land use rights associated with the real property that is under construction. However, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts and other receivables is equal to their total carrying amounts.

The Company is exposed to interest rate risk on its bank loans and notes payable to the extent that its credit facilities are based on floating rates of interest. For the period ended March 31, 2015, a 10% increase or a 10% decrease in interest rates would have changed comprehensive earnings by $347,000.

18. FINANCIAL INSTRUMENTS (continued)

Interest Rate and Credit Risk (continued)

Financial assets past due

As at March 31, 2015 and June 30, 2014 the aging of accounts receivable is as follows:

	March 31, 2015 (unaudited) (Restated)	June 30, 2014 (audited)
	$	$
0 – 180 days	22,125,628	6,316,513
181 – 365 days	1,849,242	1,370,205
Over 1 year	2,843,413	5,292,448
Over 2 years	4,347,690	957,345
Accounts receivable	31,165,973	13,936,511
Less: allowance for doubtful accounts	(41,079)	(590,786)
Allowance for doubtful accounts	(1,342,394)	(1,327,588)
	27,782,500	12,018,137
Current	29,356,536	9,215,050
Non-current	425,964	2,803,087
	29,782,500	12,018,137

During the period ended March 31, 2015 and 2014, the Company did not record additional provision for accounts receivable. All provisions for allowances for doubtful accounts are charged to general and administrative expenses. As at March 31, 2015, the balance of accounts receivable past due but not impaired is $6,217,146 (June 30, 2014 - $2,150,863).

The definition of items that are past due is determined by reference to terms agreed with individual customers. None of the amounts outstanding have been challenged by the respective customer(s) and the Company continues to conduct business with them on an ongoing basis.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective company to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

Currency Risk

The Company generates revenues and incurs expenses and expenditures primarily in the PRC and is exposed to risk from changes in foreign currency exchange rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the Canadian dollar relative to the RMB could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2015 through its subsidiaries, the Company had cash and cash equivalents and restricted cash of $15,092,844 (June 30, 2014 - $13,227,037), accounts receivable and other receivables of $31,959,132 (June 30, 2014 - $13,453,131), refundable deposit of $ 581,919 (June 30, 2014 - $573,073), bank loans of $75,852,417 (June 30, 2014 - $48,739,068), bank notes payable of $15,207,351 (June 30, 2014 - $18,127,156), loan payable of $2,962,661 (June 30, 2014 - $4,189,818), accounts payable of $12,930,372 (June 30, 2014 - $10,732,439), amounts due from related parties of $61,166 (June 30, 2014 - $60,236), and automobile loans of $152,634 (June 30, 2014 - $244,801) which were denominated in RMB.

At March 31, 2015, the Company had cash of $48,406 (June 30, 2014 - $2,083) and convertible debentures of $7,210,170 (June 30, 2014 - $13,474,515) which were denominated in CDN$.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing and bank loans.

(Expressed in US Dollars)

18. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

The following are the contractual maturities of financial liabilities as at March 31, 2015:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 5 years
	$	$	$	$	$
Bank loans	75,852,417	75,852,417	75,852,417	-	-
Notes payable	15,207,351	15,207,351	15,207,351	-	-
Loan payable	2,962,661	3,253,680	2,169,120	1,084,560	-
Accounts payable	13,944,862	13,944,862	13,944,862	-	-
Automobile loans	152,634	158,796	124,268	34,528	-
Convertible debentures	9,259,946	18,626,103	5,139,726	1,714,891	11,771,486
Total	117,379,871	127,043,209	112,437,744	2,833,979	11,771,486

Sensitivity Analysis

The Company has completed a sensitivity analysis to estimate the impact on net income which a change in foreign exchange rate during the period ended March 31, 2015 would have had.

The sensitivity analysis includes the assumption that changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

The result of sensitivity analysis shows that an increase (decrease) of 10% in the RMB to US Dollar exchange rate could have no impact on the Company's net income but could have increased (decreased) the comprehensive income by approximately $5,028,000. An increase (decrease) of 10% in CDN$ to US Dollar exchange rate could have no impact on the Company's net income but could have decreased (increased) the comprehensive income by approximately $921,000.

The above result arises primarily because the Company has RMB and CND$ denominated cash and cash equivalents, restricted cash, accounts and other receivable balances, deposits, refundable deposit, bank loans, bank notes payable, loan payable, accounts payable, automobile loans, convertible debentures and amounts due from related parties. The financial position of the Company may vary at the time that a change in the foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

19. GEOGRAPHIC DISCLOSURES

The Company operates in one reporting segment – the construction of residential and business buildings, municipal infrastructure and engineering projects in PRC. The Company's Zhejiang office building is located in Jiaxing, Zhejiang, PRC. All of the Company's revenue was generated in PRC and substantially all capital assets are located in the PRC.

20. CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders through expansion correspondingly to the level of risk.

The Company is required to maintain a certain level of deposits with its banks as compensating balances for bank loans provided by these banks.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, reduce debt or increase its debt.

(Expressed in US Dollars)

21. EARNINGS PER SHARE

Earnings per share amounts have been calculated as follows:

(Restated – Note 2a)

For the nine months ended March 31, 2015	Net income	Weighted Average Number of Common Shares Outstanding	Earnings per Share
	$		$
Net income for the nine months ended March 31, 2015	12,880,861	-	-
Weighted average number of shares outstanding	-	25,420,065	-
Basic Earnings per Share	12,880,861	25,420,065	0.51
Effect of convertible debentures	1,209,951	5,769,231	-
Diluted Earnings per Share	14,090,812	31,189,296	0.45

At March 31, 2015, 1,755,000 options are not included in the calculation of diluted earnings per share as their effect is anti-dilutive.

(Restated – Note 2a)

For the nine months ended March 31, 2014	Net income	Weighted Average Number of Common Shares Outstanding	Earnings per Share
	$		$
Net income for the nine months ended March 31, 2014	8,747,211	-	-
Weighted average number of shares outstanding	-	25,420,065	-
Basic Earnings per Share	8,747,211	25,420,065	0.34
Effect of convertible debentures	1,306,927	5,769,231	-
Diluted Earnings per Share	10,054,138	31,189,296	0.32

At March 31, 2014, 2,125,000 options are not included in the calculation of diluted earnings per share as their effect is anti-dilutive.

22. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company has guaranteed the bank loans for other construction companies, in amounts totalling $15,141,347. No consideration has been specifically received by the Company for these guarantees.

(b) The Company has an office lease in Hainan, PRC expiring October 17, 2016. Minimum lease payments are as follows:

2015	$	55,177
2016		229,535
2017		77,983
	$	362,695

23. SUBSEQUENT EVENTS

(a) On October 16, 2015, the OSC issued a management cease trade order which imposed restrictions on all trading in and all acquisitions of securities of the Company by the Chief Executive Officer (“CEO) and Chief Financial Officer (“CFO”) of the Company until all required filings have been made.

(b) On October 31, 2015, the Company successfully retracted and redeemed CDN$5,000,000 of the 11.5% convertible debentures due on October 31, 2018 as described in Note 27(a).